

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T15-5-13)

The United States Postal Service hereby provides the responses of witness Patelunas to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T15-5-13, filed on September 8, 1997.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
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September 22, 1997

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15-5. Please refer to USPS-T-15, W/P G, Table D, and the table below showing the development of the FY 98 TYAR accrued and attributable Space Support costs for post office boxes.

**FY98 TYAR ACCRUED AND ATTRIBUTABLE SPACE  
SUPPORT COSTS 1/**

COST SEGMENT AND COMPONENT	TOTAL ACCRUED (\$1,000)	ATTRIBUTABLE TO POST OFFICE BOXES (\$1,000) [2]
C/S 1.1.1 Cleaning and Protection	\$802,065	\$70,696
C/S 11.1.2 Contract Cleaners	\$53,401	\$4,707
C/S 11.3 Plant & Building Equipment Maintenance	\$389,346	\$34,318
C/S 15.2 Building Occupancy, Fuel and Utilities	\$428,502	\$37,769
C/S 16.3.1 Custodial & Building	\$1,407,999	\$124,105
C/S 18.1.2 Postal Inspection Service	\$360,277	\$7,226
<b>TOTAL SPACE SUPPORT</b>	<b>\$3,441,590</b>	<b>\$278,821</b>

Notes and Sources

1/ USPS-T-15, WP G, Table D, for the cost segments listed.

- a. Please confirm that the figures in column [1] are correct. If you do not confirm, please explain and provide the correct figures. Please show all calculations and provide citations to any figures used.
- b. Please confirm that the figures in column [2] are correct. If you do not confirm, please explain and provide the correct figures. Please show all calculations and provide citations to any figures used.
- c. Please confirm that the 'Notes and Sources' are correct. If you do not confirm, please explain.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15-5 Response:

- a. Part a is confirmed.
- b. Confirmed that column (2) shows volume variable costs for Post Office Boxes.
- c. Part c is confirmed.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15-6. Please refer to USPS-T-15,W/P G, Table D, and the table below showing the development of the FY 98 TYAR accrued and attributable Space Provision costs for post office boxes.

FY98 TYAR ACCRUED AND ATTRIBUTABLE SPACE  
PROVISION COSTS 1/

COST SEGMENT AND COMPONENT	TOTAL ACCRUED (\$1,000)	ATTRIBUTABLE TO POST OFFICE BOXES (\$1,000) [2]
C/S 15.1 Building Occupancy, Rents	\$688,501	\$111,071
C/S 20.3 Bldg & Leasehold Depreciation	\$581,680	\$93,838
C/S 20.5 Interest Expense - Bldg & Leasehold (Component 215)	\$306,214	\$14,930
TOTAL SPACE PROVISION	\$1,576,395	\$219,839

Notes and Sources

1/ USPS-T-15, WP G, Table D, for the cost segments listed,  
except C/S 20.5 Interest Expense, see Table C, at 32

- a. Please confirm that the figures in column [1] are correct. If you do not confirm, please explain and provide the correct figures. Please show all calculations and provide citations to any figures used.
- b. Please confirm that the figures in column [2] are correct. If you do not confirm, please explain and provide the correct figures. Please show all calculations and provide citations to any figures used.
- c. Please confirm that the "Notes and Sources" are correct. If you do not confirm, please explain.

OCA/USPS-T15-6 Response:

- a. Part a is confirmed.
- b. Confirmed that column (2) shows volume variable costs for Post Office Boxes.
- c. Part c is confirmed.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15 5-7. Please refer to USPS-T-1 5, WP G, Tables C and D, and the table below showing the development of the FY 98 TYAR accrued and attributable All Other costs for post office boxes.

DETAIL FOR "ALL OTHER" CATEGORY  
TYAR 98

COST SEGMENT	ACCRUED COSTS (\$1,000)	ATTRIBUTABLE TO PO BOXES (\$1,000)
	[1]	[2]
C/S 1	\$1,712,615 1/	\$2,721 1/
C/S 2	\$3,517,945 1/	\$6,465 1/
C/S 3	\$17,759,605 1/	\$61,217 1/
C/S 4	\$10,073 1/	\$0
C/S 6&7	\$11,960,532 1/	\$302 1/
C/S 8	\$448,972 1/	\$0
C/S 9	\$114,111 2/	\$0
C/S 10	\$3,721,604 2/	\$0
C/S 11	\$1,070,905 3/	\$0
C/S 12	\$647,994 2/	\$0
C/S 13	\$291,625 2/	\$0
C/S 14	\$4,326,522 2/	\$0
C/S 15	\$423,682 4/	\$0
C/S 16	\$2,123,396 5/	\$0
C/S 17	\$57,201 6/	\$0
C/S 18	\$4,235,424 7/	\$13,625 8/
C/S 19	\$38,973 9/	\$0
C/S 20	<u>\$3,210,957</u> 10/	<u>\$6,9591</u> 11/
SUBTOTAL	\$55,672,136	\$91,289
TOTAL	ALL C/S \$60,690,121 12/	

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15 5-7 continued:

NOTES AND SOURCES

- 1/ USPS-T-15, WP G, Table D, at 2.
- 2/ USPS-T-15, WP G, Table D, at 4.
- 3/ USPS-T-15, WP G, Table D, at 36.
- 4/ USPS-T-15, WP G, Table D, at 48.
- 5/  $\$2,123,396 = \$3,531,395 - \$140,799$  USPS-T-15, WP G, Table D, at 52 & 54.
- 6/ USPS-T-15, WP G, Table D, at 6.
- 7/  $\$4,235,424 = \$4,595,701 - \$360,277$  USPS-T-15, WP G, Table D, at 56 & 64.
- 8/  $\$13,625 = \$20,851 - \$7,226$   
USPS-T-15, WP G, Table D, at 56 & 64.
- 9/ USPS-T-15, WP G, Table D, at B.
- 10/  $\$3,210,957 = \$4,098,851 - (\$581,680 + \$360,214)$   
USPS-T-15, WP G, Table C, at 32, and Table D, at 66 & 68.
- 11/ USPS-T-15, WP G Table C, at 32.
- 12/ USPS-T-15, WP G, Table D, at 8.

- a. Please confirm that the figures in column [1] are correct. If you do not confirm, please explain and provide the correct figures. Please show all calculations and provide citations to any figures used.
- b. Please confirm that the figures in column [2] are correct. If you do not confirm, please explain and provide the correct figures. Please show all calculations and provide citations to any figures used.
- c. Please refer to the "Notes and Sources." Please confirm that the citations, and calculation of figures based upon those citations, in the "Notes and Sources" accompanying the table above are correct. If you do not confirm, please explain and provide the correct citations and figures. Please show all calculations and provide citations to any figures used.

OCA/USPS-T15-7 Response:

- a. Part a is confirmed.
- b. Part b is not confirmed. See Attachment I that accompanies my response to

OCA/USPS-T24-25, redirected from Witness Lion, as revised on 9/19/97.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15-7 Response continued:

c. Part c is confirmed, although in light of my revised response to OCA/USPS-T24-25, redirected from Witness Lion, I should be clear on what I am confirming. I am confirming that the amounts shown are found on the pages cited and that the calculation of figures based upon those citations, in the "Notes and Sources" section are correct. I am not confirming whether or not these are the correct amounts to use in the calculations; the correct amounts in my judgment are found in Attachment I to my response to OCA/USPS-T24-25, redirected from Witness Lion, as revised on 9/19/97.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-TL 5-8. Please refer to USPS-T-1 5, W/P G, Table D.

- a. Please confirm that total TYAR attributable costs for post office boxes are \$589,953,000. If you do not confirm, please explain.
- b. Please confirm that the sum of TYAR attributable Space Support and Space Provision, and the total of All Other costs, is \$589,949,000 (\$278,821,000 + \$219,839,000 + \$91,289,000). If you do not confirm, please explain.
- c. Please show the derivation of, and reconcile any discrepancies between, the TYAR attributable costs for post office boxes of \$589,953,000, referred to in part a. above, and the sum of Space Support, Space Provision and All Other costs referred to in part b. above. Please show all calculations and provide citations to any figures used.

OCA/USPS-T15-8 Response:

- a. It is confirmed that \$589,953,000 is the volume variable costs for Post Office Boxes.
- b. Part b is not confirmed. See Attachment I that accompanies my response to OCA/USPS-T24-25, redirected from Witness Lion, as revised on 9/19/97.
- c. See Attachment I that accompanies my response to OCA/USPS-T24-25, redirected from Witness Lion, as revised on 9/19/97.



Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
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OCA/USPS-T15-9. Please refer to your response to OCA/USPS-T24-60 (redirected to you), and Appendix B of your testimony (USPS-T-5) in Docket No. MC96-3. In Appendix B, lines 10-14, you state

Additionally, it was assumed that there would be no change in the space and rental related costs associated with the decrease in Post Office Boxes in use because these costs would not respond immediately in the test year, but rather, *they would respond at some time after the test year.*

- a. Please confirm that you made the same assumption in your testimony in Docket No. R97-1, that "there would be no change in the space [i.e., Space Provision] and rental related [i.e., Space Support] costs associated with the decrease in Post Office Boxes in use. . . ." If you do not confirm, please explain.
- b. If the assumption stated in the quote above is no longer applicable to post office boxes in Docket No. R97-1, please explain what has changed in this docket to make the assumption no longer applicable.
- c. Please refer to Docket No. MC96-3, Appendix B, which shows the development of the cost adjustments resulting from proposed changes in fees for post office boxes. Please provide tables, in the same format as Appendix B, showing the development of the cost adjustments resulting from proposed changes in fees for post office boxes in Docket No. R97-1.

OCA/USPS-T15-9 Response:

a and b. The quote from Appendix B of my testimony (USPS-T-5) in Docket No. MC96-3 was intended to point out that I made no explicit PESSA-type adjustment in that Appendix to account for changes in the number of Post Office Boxes in use. In updating that Appendix B methodology for Docket No. R97-1, as requested in part c of this interrogatory, I again make the assumption that there would be no change in the space and rental related costs associated with the decrease in Post Office Boxes in use because these costs would not respond immediately in the test year, but rather, they would respond at some time after the test year.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
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OCA/USPS-T15-9 a and b Response continued:

It appears that there is some confusion between my response to OCA/USPS-T24-60 and my Appendix B in Docket No. MC96-3. My response to OCA/USPS-T24-60 was in reference to the treatment of PESSA costs in the rollforward model. As noted in that response, there are two composite distribution keys, 1099 and 1199, that change "slightly" in the model. As with all PESSA costs, these effects are specific to a particular year and they are not rolled-forward. This methodology is meant to reflect the fact that there are some changes in PESSA costs in a particular year, but the full impact is not known until some undefined outyear beyond the test year.

Please note that the referenced statement from Appendix B has to be viewed in light of the purpose of Appendix B. Appendix B was not intended to reflect changes in Post Office Box volume variable costs. Rather, the purpose of Appendix B was to show the effect on the volume variable costs of the classes and subclasses of mail resulting from the diversion of mail from post office box to street delivery.

c. The requested update will be filed in USPS Library Reference H-274, Cost Adjustments for Changes Due to Proposed Rates Impact on Post Office Boxes Provided in Response to OCA/USPS-T15-9(c).

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
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OCA/USPS-T15-10. Please refer to your response to OCA/USPS-T24-60, redirected to you by Witness Lion.

- a. Please confirm that the total of "All Other" costs will vary with the decrease in the number of post office boxes in the test year. If you do not confirm, please explain.
- b. Please confirm that the total of "Space Support" costs will vary with the decrease in the number of post office boxes in the test year. If you do not confirm, please explain.
- c. Please confirm that the total of "Space Provision" costs will vary with the decrease in the number of post office boxes in the test year. If you do not confirm, please explain.

OCA/USPS-T15-10 Response:

- a. Part a is confirmed.
- b. Part b is confirmed.
- c. Part c is confirmed.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15-11. Please refer to your response to OCA/USPS-T24-60b, redirected to you by Witness Lion, where it states

For instance, the following changes occurred from Base Year 1996 to Test Year After Rates 1998 for components 1099 (Total Key of Space Components) and 1199 (Total Key of Rental Value Components):

Please confirm that the changes to the two distribution keys identified in the quote above are the only changes to distribution keys for post office boxes from the BY to the TYAR. If you do not confirm, please explain, provide the percentage change, the name and number of the component(s), and a citation for any components changed.

OCA/USPS-T15-11 Response:

OCA/USPS-T5-11 is confirmed.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15 5-12. Please refer to your response to OCA/USPS-T24-60b (redirected to you by witness Lion), and the following table, which shows the development of attributable "Space Support" costs for post office boxes in the TYBR.

**FY98 TYBR ACCRUED AND ATTRIBUTABLE SPACE  
SUPPORT COSTS 1/**

COST SEGMENT AND COMPONENT	TOTAL ACCRUED (\$1,000)	ATTRIBUTABLE TO POST OFFICE BOXES (\$1,000) [2]
C/S 1 1.1.1 Cleaning and Protection	\$802,065	\$70,977
C/S 11.1.2 Contract Cleaners	\$53,401	\$4,726
C/S 1 1.3 Plant & Building Equipment Maintenance	\$389,346	\$34,454
C/S 15.2 Building Occupancy, Fuel and Utilities	\$428,502	\$37,919
C/S 16.3.1 Custodial & Building	\$1,407,999	\$124,598
C/S 18.1.2 Postal Inspection Service	\$360,277	\$7,254
<b>TOTAL SPACE SUPPORT</b>	<b>\$3,441,590</b>	<b>\$279,928</b>

**Notes and Sources**

1/ USPS-T-15, WP E, Table D, for the cost segments listed.

Please show how to derive the Test Year, After Rates (TYAR) Space Support costs for post office boxes using the components 1099 (Total Key of Space Components), 1199 (Total Key of Rental Value Components), and any other components necessary.

**OCA/USPS-T15-12 Response:**

Test Year, After Rates Space Support costs for post office boxes is derived in Attachment I that accompanies my response to OCA/USPS-T24-25, redirected from Witness Lion, revised September 19, 1997. The results shown in that attachment reflect any effects of all components in the rollforward model.

Response of United States Postal Service Witness Patelunas  
to Interrogatories of  
Office of the Consumer Advocate

OCA/USPS-T15 5-13. Please refer to your response to OCA/USPS-T24-60b (redirected to you by witness Lion), and the following table, which shows the development of attributable "Space Provision" costs for post office boxes in the TYBR.

FY98 TYBR ACCRUED AND ATTRIBUTABLE SPACE  
PROVISION COSTS 1/

COST SEGMENT AND COMPONENT	TOTAL ACCRUED (\$1,000)	ATTRIBUTABLE TO POST OFFICE BOXES (\$1,000) [2]
C/S 15.1 Building Occupancy, Rents	\$688,501	\$111,399
C/S 20.3 Bldg & Leasehold Depreciation	\$581,680	\$94,115
C/S 20.5 Interest Expense - Bldg & Leasehold (Component 215)	\$362,214	\$17,712
TOTAL SPACE PROVISION	\$1,632,395	\$223,226

Notes and Sources

1/ USPS-T-1 5, WP E, Table D, for the cost segments listed, except C/S 20.5 Interest Expense, see Table C, at 32.

Please show how to derive the Test Year, After Rates (TYAR) Space Provision costs for post office boxes using the components 1099 (Total Key of Space Components), 1199 (Total Key of Rental Value Components), and any other components necessary.

OCA/USPS-T15-13 Response:

Test Year, After Rates Space Provision costs for post office boxes is derived in Attachment I that accompanies my response to OCA/USPS-T24-25, redirected from Witness Lion, revised September 19, 1997. The results shown in that attachment reflect any effects of all components in the rollforward model.

# DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Richard Patelunas", written over a horizontal line.

Dated: 9/22/97

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
\_\_\_\_\_  
Susan M. Duchek

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September 22, 1997